

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of

Billed Party Preference  
for 0+ InterLATA Calls

) CC Docket No. 92-77  
)

COMMENTS OF LDDS COMMUNICATIONS, INC.

LDDS Communications, Inc. ("LDDS"), by its attorneys, hereby submits its comments pursuant to the Commission's expedited pleading cycle established in the Notice of Proposed Rulemaking ("Notice") in the above-referenced proceeding to address competitive inequities arising from an IXC's issuance of a proprietary calling card in the Card Issuer Identifier ("CIID") format to be used with 0+ access.<sup>1/</sup>

**I. INTRODUCTION**

On an expedited basis, the Notice requests comment on whether the Commission should require interexchange carriers ("IXCs") to prohibit IXCs "from accepting proprietary calling cards on 0+ calls."<sup>2/</sup> Under this proposal, IXCs would have a choice of either (1) sharing billing and validation data for their cards usable with 0+ access, thereby allowing callers to use such cards with 0+ access, or (2) restricting the use of the card to access code dialing (i.e., 10XXX, 800 or 950). This

<sup>1/</sup> FCC 92-169 (released May 8, 1992).

<sup>2/</sup> Notice at ¶ 42.

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proposal has been necessitated by the fact that AT&T has been issuing new calling cards to its subscribers in a proprietary format such that no other IXC can accept calls made with the cards, even though the 0+ dialing method prescribed on the cards by AT&T will automatically access another IXC's network wherever AT&T is not the presubscribed carrier. Implementation of the rule would give AT&T the choice of continuing to utilize its CIID cards on a 0+ basis, subject to sharing billing and validation information, or restricting the use of the cards to truly proprietary access code dialing, consistent with the manner in which all other IXCs issue proprietary calling cards.

As detailed herein, LDDS strongly urges the Commission to adopt a rule that IXCs issuing calling cards usable with 0+ access must share billing and validation data for such cards with other IXCs. It is imperative that the Commission take this action quickly to preserve consumer choice and competitive growth in the interstate interexchange market.

## **II. STATEMENT OF INTEREST**

LDDS, headquartered in Jackson, Mississippi, is one of the fastest growing long distance companies in the United States today, serving customers in 25 states. LDDS is a full service long distance provider, and competes successfully in a broad and growing range of market sectors, including 1+, operator services, WATS, 800 service, international, and voice and data grade private lines. LDDS provides lower rates than AT&T for all of its product lines -- including lower rates on its operator

services. As a company competing in the operator services market, LDDS has a substantial interest in the Commission's proposal which, if adopted, would eliminate the ability of a single carrier to use its predominant share of the interexchange and operator service market to squeeze out competition through the use of the 0+ dialing method in conjunction with a proprietary billing method. Instead, consistent with the expectations of the calling public, as reinforced by the Commission's consumer notice and choice requirements, the proposal would assure consumers that 0+ dialing will continue in the public domain.

In marketing its operator services, LDDS advertises to aggregators and consumers that its rates are set below those of AT&T. These marketing efforts have been very successful. Aggregators have awarded presubscription contracts for operator services to LDDS at a growing rate, based on LDDS's proven service quality and features, and operating efficiencies enabling LDDS to offer aggregators competitive presubscription arrangements while keeping rates below AT&T levels. Consumers, including non-proprietary AT&T calling cardholders at aggregator locations served by LDDS, such as airports and hotels, have responded to LDDS's advertisements of below-AT&T operator services rates by choosing LDDS to carry their calls. Indeed, since entering this market, LDDS's operator services revenues have grown steadily, with the exception, however, of a notable

levelling off beginning in the fall of 1991, when AT&T intensified its CIID card program.

**III. THE PUBLIC INTEREST IN COMPETITIVE CONSUMER CHOICE WILL BE SERVED BY REQUIRING IXCS TO SHARE BILLING AND VALIDATION DATA FOR CALLING CARDS USABLE WITH 0+ ACCESS**

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**A. AT&T's Purportedly Pro-Consumer Arguments Are Specious**

AT&T's CIID card program is seriously undermining LDDS's ability to offer high quality operator services at aggregator locations which provide a valuable, competitive spur to the operator services of AT&T. AT&T's distribution of nearly 25 million CIID cards, which currently only AT&T (and, for some intrastate calls, the LECs) can accept on a 0+ basis, threatens to remove the added competitive choice which LDDS's operator services offer consumers, and to end competition altogether in this market segment.

Numerous parties, responding to the Competitive Telecommunications Association's ("CompTel") Emergency Motion made part of the record in this rulemaking, have shown that AT&T's stated motive for issuing the CIID proprietary card -- to "protect" consumers -- is merely a convenient mask for its true agenda -- re-monopolization of the 0+ market.<sup>3/</sup> The record evidence developed by these parties, including AT&T's own

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<sup>3/</sup> See Notice at ¶ 40, n.41, citing Emergency Motion for An Interim Order Requiring AT&T To Cease Further Distribution of "Proprietary" CIID Cards and Permit Validation and Billing of Existing Cards, filed by CompTel on December 20, 1991, in CC Docket No. 91-115 ("CompTel Emergency Motion"). The CompTel Emergency Motion and pleadings filed in response to it have been included as part of the record in the instant proceeding.

marketing materials, demonstrates that by choosing the traditionally ubiquitous 0+ dialing method for its proprietary CIID cards, AT&T's primary objective is to remove incentives for aggregators to presubscribe their telephones to competitors such as LDDS.

Contrary to AT&T's "white knight" claims about protecting consumers, consumers will lose out if companies such as LDDS are forced out of the operator services marketplace as a result of AT&T's CIID card program. LDDS is clearly capable of matching and, indeed, surpassing the level of operator service quality AT&T offers to consumers at below-AT&T rates, and simultaneously creating financially attractive presubscription arrangements for aggregators. LDDS cannot, however, compete with the insurmountable competitive advantages AT&T seeks to garner through its CIID card program. As numerous parties have shown already, AT&T's CIID cards are the focal point of marketing strategies to aggregators for presubscription contracts. AT&T's promises to aggregators of higher commissions, higher call completion levels, and consumer frustration with other carriers, are rooted in its attempt, through CIID cards, to control the 0 button in the operator services market.

AT&T's "all's fair" assertion that its competitors have the option of issuing their own CIID cards because they are "generally available" to all IXCs is mere theory, not competitive reality. As numerous parties have shown, CIID cards are generally useless to any IXC other than AT&T. Only AT&T has

enough market share to justify issuing a "proprietary" calling card accessed on a 0+ basis. If consumer choice and competition are to be preserved in the interstate operator services market, it is critical that the Commission distinguish between AT&T's theoretical arguments and the practical competitive realities in the marketplace, which the record herein thoroughly outlines.<sup>4/</sup>

**B. The Commission Should Promptly Adopt the Proposed Rule Requiring Nondiscriminatory Access to Billing and Validation Data for Any IXC Calling Card Usable With 0+ Access**

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The need for Commission action to curb AT&T's attempt to re-monopolize the 0+ market is urgent. As the Commission correctly recognizes, even assuming that billed party preference is in the public interest (which LDDS questions), it is not likely to be available for years. Ironically, absent prompt action by the Commission to preserve the ubiquity of 0+ access for all operator service providers, the perceived benefits of implementing billed party preference will be irrelevant at best; by the time billed party preference could be implemented, AT&T will have succeeded in locking up the operator services market and driving out its competitors.

To address the competitive emergency which AT&T's CIID program has created, LDDS strongly urges the Commission to adopt a rule requiring IXCs to share with other IXCs billing and validation data for any calling card usable with 0+ access. This

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<sup>4/</sup> See generally CompTel Emergency Motion incorporated in the record herein.

action would advance the public interest by not foreclosing opportunities for consumers to exercise carrier choice when making 0+ calls at aggregator locations. It is clearly in the public interest for competitive options such as LDDS's operator services -- priced below AT&T's rates -- to be conveniently accessible by consumers on a 0+ basis. AT&T's huge deployment of CIID cards accessed on a 0+ basis is calculated to supplant the use of universally 0+ accessible LEC calling cards; to increase the noncompensable operating costs of other IXCs; and, most importantly, to convince aggregators that they will receive higher commissions and better service reliability if they presubscribe their telephones to AT&T.

AT&T's clever strategy for controlling the 0+ market must be stopped by the adoption of a rule requiring IXCs to share billing and validation data for its calling cards if they are usable on a 0+ basis. Contrary to AT&T's claims, this rule is capable of ready implementation at modest cost, and would produce public interest benefits.

First, adoption of the rule will not deprive AT&T of the opportunity to issue a proprietary card. As the Notice states, AT&T would remain free to restrict the use of its calling cards to access code calling of the type which all other IXCs issuing calling cards now use. Second, it would preserve customer choice in the 0+ market, giving carriers such as LDDS incentives to continue to provide valuable operator services to consumers at rates lower than, or highly competitive with, those of AT&T, and

to develop innovations in operator service offerings to produce future market growth and service improvements. Third, implementation of this rule would not threaten the proprietary nature of AT&T's database of CIID cardholders. To enable IXC's other than AT&T to bill 0+ calls made with the CIID cards, an independent service bureau or the LECs could perform the necessary CIID number to Billing Telephone Number ("BTN") translation functions required to allow these IXC's to bill the CIID card numbers. AT&T's competitors would not thereby unfairly infiltrate AT&T's customer database, as AT&T has argued. Similarly, with very minor alterations, validation could be performed utilizing Signalling System 7 ("SS7") network technology to facilitate connections between LEC LIDBs and the AT&T validation database.

Adoption of the proposed rule is well within the Commission's public interest mandate to preserve consumer choice and to advance competition in the interstate operator services market. AT&T has stated for the record that "[c]ustomer choice is the essence of competition and is what spurs IXC's to offer American consumers even more attractive and innovative service, feature and pricing options."<sup>2/</sup> It is beyond dispute that LDDS's operator services offer consumers valuable competitive choice. The proposed rule should be adopted to prevent AT&T from

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<sup>2/</sup> AT&T Comments on CompTel Emergency Motion (filed Feb. 10, 1992) at 10.

manipulating and remonopolizing the 0+ market and depriving consumers of that choice.

**IV. CONCLUSION**

For the foregoing reasons, LDDS strongly urges the Commission to adopt a rule requiring IXCs that issue calling cards accessible on a 0+ basis to share billing and validation data for such cards with other IXCs.

Respectfully submitted,



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June 2, 1992

CERTIFICATE OF SERVICE

I hereby certify that on this 2nd day of June 1992, copies of Comments of LDDS Communications, Inc. were served by hand delivery upon the following:

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